

Message Text

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PAGE 01 STATE 172619

42

ORIGIN ARA-20

INFO OCT-01 ISO-00 EB-11 STR-08 AGR-20 COME-00 SP-03

AID-20 NSC-07 RSC-01 CIEP-03 TRSE-00 SS-20 OMB-01

CEA-02 L-03 H-03 CIAE-00 INR-11 NSAE-00 SSO-00 NSCE-00

INRE-00 TAR-02 /136 R

DRAFTED BY ARA-LA/PAN:PFMORRIS:JVC:LA/CEN:DLAZAR

APPROVED BY ARA - AMB. BOWDLER

EB:PPILKAUSKIS (SUBS)

STR:BSTEINBACK (INFO)

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FM SECSTATE WASHDC

TO AMEMBASSY PANAMA IMMEDIATE

INFO AMEMBASSY SAN JOSE PRIORITY

AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY BOGOTA

AMEMBASSY QUITO

C O N F I D E N T I A L STATE 172619

E.O. 11652: GDS

TAGS: ETRD, PN

SUBJECT: UNITED BRANDS - BANANA TAX

REFS: (A) PANAMA 4530; (B) PANAMA 4540

FOR JORDEN FROM BOWDLER

1. DEPT. APPRECIATES EMBASSY'S PROMPT AND DETAILED REPORTING ON SUBJECT. IMPRESSION HERE IS THAT BOTH UB AND GOP CONTINUE TO JOCKEY FOR POSITION WITH NEITHER SIDE WILLING TO GIVE VERY MUCH. IT APPEARS UB ACTING FROM A POSITION OF STRENGTH, EXERTING MAXIMUM PRESSURE, AND GOP UNWILLING TO LOSE FACE AND BACK DOWN. THEREFORE, IT
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PAGE 02 STATE 172619

IS IMPORTANT THAT A COMMON NEGOTIATING BASE BE FOUND

UPON WHICH A FORMULA FOR AGREEMENT CAN BE CONSTRUCTED. POSSIBLE SALE OF UB PANAMA PROPERTIES MAY BE THAT COMMON NEGOTIATING BASE. GOP QUOTE ACCEPTANCE END QUOTE OF UB OFFER TO SELL A CLEVER BARGAINING PLOY BY GOP WHICH KEEPS NEGOTIATIONS OPEN AND GIVES GOP APPEARANCE OF REASONABLENESS AND FLEXIBILITY. HOWEVER, PORTIONS OF REF B GIVE RISE TO CONCERN THAT DISCUSSIONS BETWEEN PARTIES MAY BE DETERIORATING AND THAT BREAKDOWN IN TALKS A GROWING POSSIBILITY. IT IS UNCLEAR TO DEPARTMENT WHY UB FINDS IT NECESSARY TO MAKE A PUBLIC REBUTTAL OF MANFREDO LETTER IF THEY ARE SERIOUS ABOUT POSSIBLE SALE. ALSO UB APPROACH TO NEW YORK BANKS MAY WELL BE COUNTERPRODUCTIVE IN CREATING CLIMATE FOR AGREEMENT WITH GOP.

2. DEPARTMENT BELIEVES IT IMPORTANT THAT DISCUSSIONS CONTINUE AND THAT BOTH SIDES UNDERSTAND NEED TO AVOID SITUATION WHERE EXPROPRIATION BECOMES ONLY ALTERNATIVE. WE DO NOT WANT TO INJECT U.S. GOVERNMENT INTO NEGOTIATIONS, NOR DO WE WANT TO ENTER INTO DISCUSSION WITH EITHER SIDE ON SUBSTANTIVE MATTERS. BUT WE BELIEVE IT MAY BE TIME TO IMPRESS UPON BOTH SIDES OUR CONCERN ABOUT WHAT APPEARS TO BE A DETERIORATING SITUATION.

3. WOULD APPRECIATE YOUR CURRENT READING OF SITUATION AND CONSIDERATION OF ADVISABILITY OF YOUR MAKING DIRECT APPROACH TO TORRIJOS ABOUT NEED FOR CONSTRUCTIVE AND FLEXIBLE APPROACH BY BOTH SIDES.

4. MEANWHILE, DEPARTMENT HAS MADE LOW-LEVEL APPROACH TO UB HERE THROUGH WASHINGTON REPRESENTATIVE JASPER BAKER. APPROACH WAS ALONG LINES SUBSTANTIALLY SIMILAR TO THOSE SUGGESTED ABOVE. WE ALSO EXPRESSED TO BAKER OUR CONCERN THAT PARTIES SEEM TO BE MOVING AWAY FROM DIALOGUE RATHER THAN TOWARDS AGREEMENT AND POINTED OUT TO HIM OUR BELIEF THAT SUCH MOVES AS APPROACH THROUGH BANKING COMMUNITY HERE EXTREMELY DANGEROUS. BAKER CALLED BACK IMMEDIATELY AFTER CONTACTING BOSTON HQS AND TOLD US THAT HE HAD URGED THAT TAYLOR COME TO TOWN FRIDAY IMMEDIATELY UPON HIS RETURN TO THE US TO DISCUSS SITUATION WITH DEPARTMENT. BAKER STATED UB'S BELIEF
CONFIDENTIAL

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PAGE 03 STATE 172619

THAT PANAMA REFUSED TO TALK SERIOUSLY UNTIL UB RESTARTED OPERATION. BAKER ALSO STATED THAT HOFFGREN OF GOLDMAN SACHS WILL NOT BE GOING TO PANAMA. KISSINGER

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